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COMMONWEALTH BANK OF AUSTRALIA SEPTEMBER QUARTER TRADING UPDATE

SYDNEY, 6 NOVEMBER 2013: The Commonwealth Bank (“the Group”) today advised that its unaudited cash earnings¹ for the three months ended 30 September 2013 (“the quarter”) were approximately \$2.1 billion. Statutory net profit on an unaudited basis for the same period was also approximately \$2.1 billion, with non-cash items treated on a consistent basis to prior periods.

Key outcomes for the quarter are summarised below:

- A combination of solid revenue growth and cost discipline resulted in positive “jaws” in the quarter;
- Group Net Interest Margin was marginally lower than the prior half, reflecting deposit margin compression in a lower interest rate environment;
- Trading income remained at relatively strong levels;
- System mortgage credit growth was modest, with the Group growing slightly ahead of system. Whilst lower interest rates have supported strong growth in new business activity compared to the prior year, this has been balanced by higher levels of loan repayments;
- Commercial lending growth reflected low system credit growth in the quarter;
- Household deposit growth remained strong and broadly in line with system;
- Strong investment performance in rising equity markets contributed to Funds under Administration and Assets under Management growing by 4 per cent in the quarter, with FirstChoice and Custom Solutions achieving combined net flows of \$0.9 billion. Insurance inforce premiums increased by 2 per cent with General Insurance and Direct Life benefiting from continued sales momentum in Retail Bank channels;
- Credit quality remained sound, with arrears rates lower in home lending and stable in unsecured consumer lending. Impaired assets were marginally lower at \$4.28 billion. Strong provisioning levels and coverage ratios were maintained, with the economic overlay unchanged. Total impairment expense was \$228 million in the quarter;

¹ Cash earnings is used by Management to present a clear view of the Group’s underlying operating results, excluding a number of items that introduce volatility and/or one-off distortions of the Group’s current period performance. These items are calculated consistently period on period and do not discriminate between positive and negative adjustments. For a more detailed description of these items, please refer to page 15 of the Group’s 30 June 2013 profit announcement.

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- Strong liquidity and funding positions were maintained, with liquid assets standing at \$137 billion, customer deposit funding at 64 per cent and the average tenor of the wholesale funding portfolio unchanged at 3.8 years;
- The Group's Internationally Harmonised Common Equity Tier 1 (CET1) ratio was 10.7 per cent as at 30 September 2013, compared to 11.0 per cent in June 2013. Continued strong organic capital generation in the quarter was offset by the declaration of the 2013 final dividend, which had a negative impact of 109 basis points in the period; and
- The New Zealand economy continued to show signs of improvement, with a stronger household sector underpinning a broad-based expansion in activity. ASB recorded solid growth in both customer advances and deposits in the quarter. Whilst retail deposit margins improved, lending margins remained under pressure in a competitive market.

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Media:

Bryan Fitzgerald
Ph: (02) 9117 7047
Mobile: 0414 789 649

Investor Relations:

Warwick Bryan
Ph: (02) 9118 7112
Mobile: 0406 316 725